Background information on the implementation of EU financial assistance programmes (as of 6 May 2013)

This note provides selected recent information on EU financial assistance provided to Cyprus, Greece, Ireland, Portugal and Spain as well as on the financial stability in these countries ahead of the exchange of views with the President of the Eurogroup in ECON on 7 May and the exchange of views with the representatives of the Troika (Commission and ECB) on 8 May in ECON. Both events will focus on the programme for Cyprus.

1. Cyprus

On 24 February 2013 Nicos Anastasiades was elected President of Cyprus (CY) and negotiations with the Troika were resumed.

On 16 March, the Eurogroup reached a preliminary agreement on a €10bn financial assistance support to CY, which included inter alia the introduction of an upfront one-off stability levy applicable to resident and non-resident depositors.

However, after the rejection by CY national parliament on 19 March 2013, the Eurogroup reached a new agreement on 25 March 2013 (also based on a €10bn financial assistance envelope over a 3-year period). This agreement included inter alia the following features:

- Public debt will remain on a sustainable path.
- Commitment to step up effort in the areas of fiscal consolidation, structural reforms, and privatisation.
- An independent evaluation of the anti-money laundering framework implementation for financial institutions conducted by Moneyval and private international audit firm.
- Appropriate downsizing of the financial sector, with the domestic banking sector reaching the EU average by 2018.
- Increase of the withholding tax on capital incomeand of the statutory corporate income tax rate
- Eurogroup looks forward to an agreement between Cyprus and the Russian Federation on a financial contribution.
- Resolving of Laiki bank with full contribution of equity shareholders, bond holders and uninsured deposit holders. To be split into a good and a bad bank, with the good bank rolled into Bank of Cyprus (along with €9bn of Emergency Liquidity Assistance (ELA) provided to Laiki) and the bad bank run down over time.
- Bank of Cyprus (BoC) to be recapitalised through a deposit/equity conversion of uninsured deposits with full contribution of equity shareholders and bond holders so as to reach capital ratio of 9% by the end of the programme. The Governing Council of the ECB will provide liquidity to BoC in line with applicable rules.
- The programme money will not be used to recapitalise Laiki bank and Bank of Cyprus.

Alongside the Eurogroup agreement reached on 25 March, COM announced the establishment of a Task Force to provide technical assistance to CY authorities.

Since late March, **capital controls** have been introduced to prevent a bank run. Although these measures have been extended, controls have also been gradually relaxed under decrees by the Finance Ministry to help local companies and households in their daily commercial transactions.

On 12 April 2013, the Eurogroup welcomed the (non-public) staff-level agreement (reached on 2 April 2013) between CY and the Troika on the policy conditionality underlying the adjustment programme; it also stated that the agreement is fully in line with the parameters and objectives set by the Eurogroup on 25 March. IMF is expected to cover about €1 billion of the agreed financial envelope; about €9 billion should come from the ESM.

Box 1: Summary of draft MoU as regards bank resolution (published on 15 April 2013)

►**Progress to date:** the downsizing and restructuring of the banking sector is under way. The CY parliament adopted legislation establishing a comprehensive framework for the recovery and resolution of credit institutions, establishing the Central Bank of Cyprus (CBC) as the single resolution authority for banks and cooperative credit institutions alike. The authorities have also proceeded with the carve-out of the Greek operations of the largest Cypriot banks.

►**Regulation and Supervision**

-CY authorities will encourage banks to strengthen their collateral and liquidity buffers.

-CBC shall update the liquidity regulations to avoid concentrated exposures such as was the case of Cypriot banks to Greek sovereign debt in the future.

-CBC shall amend guidance on the classification of loans as non-performing to include all loans past due by more than 90 days, since these loans are threatening bank profitability and thus need to be properly monitored and managed.

-CBC shall also create a central credit register listing and implement a unified data reporting system for the banks and cooperative credit institutions. The latter shall also become subject to stronger regulation and supervision.

-Monitoring of the indebtedness of the corporate and household sectors needs to be strengthened, including information on the distribution of assets and liabilities across households.

-A mediation service between banks and their clients to achieve fair debt restructuring shall be established.

-CY authorities encourage domestic banks relying on central bank funding or receiving state aid to establish and submit medium-term funding and capital plans, to be communicated at the end of each quarter to the CBC, which will transmit them to the ECB, COM, ESM and the IMF.

-Finally, the restrictions on capital movements shall be gradually relaxed, in consultation with the EC, ECB and IMF and shall remain in place no longer than strictly necessary.

►**Recapitalisation and Restructuring**

-The resolution of Cyprus Popular Bank (CPB, trading on Cyprus as Laiki Bank) and the absorption of selected assets and liabilities by the Bank of Cyprus with the recapitalisation of the latter through a debt to equity conversion, without use of public money under the following scenario:

All Greek-related assets (including shipping loans) and liabilities were carved-out, estimated in the adverse scenario respectively at €16.4bn and €15.0bn (acquired by Piraeus Bank, restructuring to be dealt by Greek authorities).

Bank of Cyprus is taking over via a purchase and assumption procedure the Cypriot assets of CPB at fair value. It is also taking over the insured deposits and Emergency Liquidity Assistance exposure at nominal value.

The uninsured deposits of CPB will remain in the legacy entity. Bank of Cyprus is being recapitalised to reach a core tier one ratio of 9% under the adverse scenario of the stress test.

A part of uninsured deposits in Bank of Cyprus will be converted into class A shares with full voting and dividend rights, thus providing the largest part of the capital needs with additional equity contributions from the legacy entity of CPB. A part of the remaining uninsured deposits of Bank of Cyprus will be temporarily frozen.

Independent assets valuation of both banks will be completed as required by the new recovery and resolution law.

-Other commercial banks with a capital shortfall can ask for recapitalisation aid from the State. The authorities should submit restructuring plans for these banks to the COM, drawn up in compliance with EU state-aid rules, also informing the ECB and the IMF.

-Cooperative credit institutions in need of recapitalisation may apply for state aid, but shall seek private sector participation first.

-All credit institutions benefiting from capital injections will be subject to specific management rules and restrictions, including on pay levels of executive and supervisory board members, and restructuring process in line with EU competition and state-aid requirements, which will be scrutinised by an external monitoring trustee.

A review on the evaluation of the implementation of Antimoney Laundering (AML) in Cyprus carried out by Moneyval and Deloitte is being completed. In their reports to be delivered to the CBC, the Cypriot Finance Minister, the ECB, the IMF and the COM, Moneyval and Deloitte will, in particular, assess the overall credit sector's compliance with the AML legal framework.

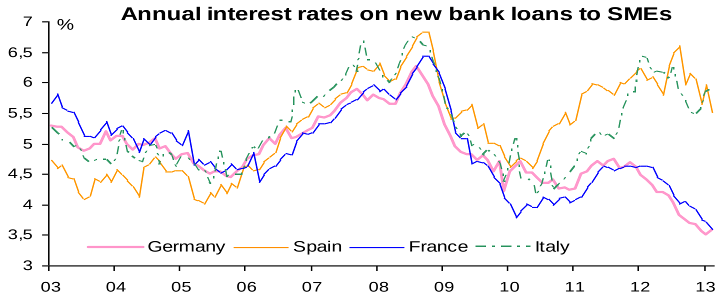
On 24 April 2013, the ESM granted, in principle, the announced support of approximately € 9 billion. It is the first fully fledged macro-economic adjustment programme financed by the ESM.

On 30 April 2013, the Cypriot Parliament approved the terms of the financial assistance programme, paving the way for CY to get the first tranche of aid in the coming weeks.

Meanwhile, the latest data released by the Central Bank of Cyprus showed that Cypriot banks relied further on Emergency Liquidity Assistance (ELA) used by local banks increased further in March to €11.4bn from €10.2bn in February.

BOX 2 - Access to Finance for SMEs in euro area

In the ECB's eighth survey on the access to finance of SMEs in the euro area published on 26 April 2013, the euro area SMEs reported an increase in external financing needs for bank loans from October 2012 to March 2013 (5% of respondents in net terms) in comparison to the six month period before. They also reported a deterioration in the availability of bank loans, although the situation has improved compared with the previous survey (-10% of respondents, in net terms, up from -22%). The rejection rates for euro area SMEs when applying for a loan are also lower (11%, down from 15%). Access to finance was the concern mentioned by the second largest percentage of euro area SMEs (16%, down from 18% in the previous survey period), with a wide divergence across countries. On the high side, 38% of the SMEs in Greece, 25% in Spain, 24% in Ireland and 21% in Portugal mentioned access to finance as the most pressing problem, compared to 8% of the SMEs in Germany and Austria on the low side. The percentage of SMEs reporting a fully successful bank loan application was highest in Germany (85%) and Finland (79%) and lowest in Greece (25%) and Ireland (32%). By contrast, a complete rejection of their loan application was reported mostly by SMEs in Greece (31%).



Source: ECB data compiled by EGOV; (loans of up to EUR 1bn and 1-5Y maturity)

2. Short overview of financial assistance to other euro area Member States

Greece:

The total amount committed by Euro Area Member States, IMF and EFSF under two MoUs[1] is €246.3bn. The conditionality of the latest MoU includes:

- fiscal consolidation (Eurogroup Statement of 27/11/2012 updated the debt-to-GDP ratio to be achieved in 2020 to 124% of GDP);
- reforms in labour and product markets
- strengthening of fiscal institutions, including tax administration
- recapitalisation and supervision of banks
- dismissal (privatisation) of State assets

The disbursements of the first Programme (closed) are €52.9 bn by Euro Area Member States and €20.7 bn by the IMF**.** The disbursements under the second Programme are until today €4.86bn by the IMF and €113bn by the EFSF.

The next disbursement will be €2.8bn after approval (expected in May) of the April 2013 Review in May. According to staff- level assessment by the Troika the March milestones are likely to be achieved. Actions to fully recapitalize the banking sector are nearing completion.

[1] The first Memorandum of Understandung (Mou) was signed on 3 May 2010 , the second on 14 March 2012.

Most of the €50bn available under the program for recapitalization has already been disbursed and injected into each of the four core banks by the Hellenic Financial Stability Fund (HFSF) as advances to cover their capital needs.

According latest IMF Article IV mission progress on fiscal adjustment has been exceptional by any international comparison, with the primary balance set to have cumulatively improved by 10 percent of GDP by end-2013, amid a contraction in GDP of more than 20 percent.

On 29 April 2013, the Task Force for Greece published its report on the first quarter 2013, which states that the country has made greater use of technical assistance in a broader range of reforms (see also COM MEMO).

The National Reform Programme submitted by Greece in April 2013 includes (in annex 3) information on the status of implementation of structural reforms that are scheduled to be finished by the end of Q1-2013 according to the MoU.

Ireland:

The total amount committed by EFSF, EFSM, IMF under the MoU for Ireland (signed on 7.12.2010) and by bilateral relations (UK, DK, SE) is €67.5 bn. The conditionality of the MoU includes:

- immediate strengthening and comprehensive overhaul of the banking sector
- fiscal adjustment to restore fiscal sustainability, correction of excessive deficit by 2015
- growth-enhancing reforms, in particular on the labour market

The disbursements are sofar €21.7bn by EFSM, €12.0bn by EFSF, €20.18bn by IMF and €2.75bn by bilateral contacts to other Member States (UK, DK, SE).

On 12 April 2013, the Eurogroup agreed, subject to national procedures, to lengthen the maturities of the EFSM and EFSF loans to Ireland and Portugal by increasing the weighted average maturity limit by 7 years, in order to smooth their debt redemption profiles. The technical details shall be worked out by the Troika and the EFSF for approval by the Eurogroup. As regards the EFSM, any extension of loans' maturities shall be decided by the ECOFIN.

On 22 April 2013, COM published a report on the main findings of the 9th review mission. According to the report the country continued strong record of programme compliance; the government deficit in 2012 (7.6% of GDP) was well within the programme ceiling (8.6% of GDP) and the 2013 budget is consistent with the programme deficit ceiling (7.5% of GDP in 2013); other key reforms, such as the broadening of the tax base through the completion of the review enables a disbursement of EUR 1.6 billion from EFSF, bringing total available disbursements from the EU, IMF and bilateral partners to EUR 60 billion. This represents close to 90% of the total international assistance of EUR 67.5 billion available under the programme.

According to the report financial sector reforms have progressed, but the level of non-performing loans remains high. Banks have so far made very little use of the loan modification options designed to durably deal with unsustainable mortgage debts. The financial sector restructuring process thus continues to weigh on the ability of banks to support the economic recovery. The priority in 2013 must be for banks to make demonstrable progress in enhancing asset quality, especially better management of mortgage and SME loans in arrears. Moreover, a functioning credit register needs to be established promptly to enhance transparency and reduce credit risk.

Portugal:

The total amount committed under the MoU for Portugal (of 17 May 2011) by EFSF, EFSM, IMF is €78 bn. The conditionality of the MoU includes:

- structural reforms to boost growth, create jobs, and improve competitiveness
- a fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control over public-private-partnerships and state-owned enterprises, reducing the nominal deficit.
- a financial sector strategy based on recapitalisation and orderly deleveraging

The disbursements are sofar €22.1bn by EFSM, €19bn by EFSF and €22.2bn by IMF

The next disbursement is expected in May 2013, after the approval of the 7th Review Mission Report (€1.3bn EFSF/EFSM, € 0.7bn IMF) which was published on 15 March 2013. Implementation of structural reforms is advancing, but economic recession has led to a revision of nominal deficit targets from 4.5% to 5.5% of GDP in 2013 and from 2.5% to 4% of GDP in 2014. Following the April decision of the Portuguese Constitutional Court rejecting some measures of the 2013 state budget, the Government confirmed its commitment to the agreed fiscal targets and timelines. The Troika staff mission of 15-18 April 2013 discussed with the government compensating measures for meeting these targets. Discussions will continue with the aim of securing a timely completion of the 7th review.

Tight credit conditions for SMEs remain a concern even though financial stability risks are well managed. The recapitalisation of the banking sector has been completed, banks' funding and liquidity conditions have improved further and the strengthening of banking supervision and resolution frameworks is almost complete. New tools for restructuring corporate and household debts are in place.

Spain:

On 20 July 2012 the MoU for Spain was signed for the period 2012-2013. It is not a fully fledged macro-financial support programme, but a financial assistance for recapitalisation of financial Institutions (up to € 100bn from ESM). The objectives are:

- bank specific (including recapitalisation, restructuring and/or resolution of banks)
- horizontal (including supervisory and regulatory framework strengthening, correction of excessive deficit and CSR-structural reforms)
- IMF to provide technical assistance

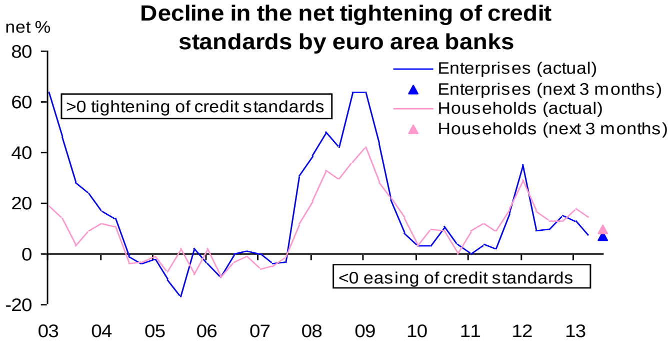
Until today €41.33 bn have been disbursed; the latest ESM disbursement of €1.865 bn took place on 5 February 2013 and shall recapitalise Group 2 banks; group 3 banks (*Ibercaja, Banco Popular*) were able to raise the needed capital through their own means; no further disbursements are foreseen at the moment. The next annual article IV consultation by IMF with Spain is scheduled for early June 2013. On 5 March 2013 COM published its second review report on Spain's Financial Assistance Programme. At the same time, the IMF also published its second progress report on the financial sector reform as part of its technical assistance for the EFSF/ESM financial support. Both conclude that the clean-up of undercapitalized banks has reached an advanced stage and the implementation of the horizontal financial-sector conditionality, including reform of savings banks' governance and of supervisory procedures at Banco de España, is close to completion. Significant progress has been made in separating impaired assets from banks through the start of operations by SAREB, an asset management company set up for the purpose.

On 26 April 2013, the COM gave a preliminary welcoming to Spain's National Reform Programme and Stability Programme. COM will examine the policy plans set out in these two programmes, to assess to which extent they are adequate given Spain's excessive imbalances and will present conclusions and recommendations on 29 May. Regarding the fiscal targets, the postponement of the correction of the excessive deficit (to below 3% of GDP) **to 2016** would be consistent with the current technical analysis by the COM services of what would be a balanced - but still ambitious - fiscal consolidation path, given the difficult economic environment.

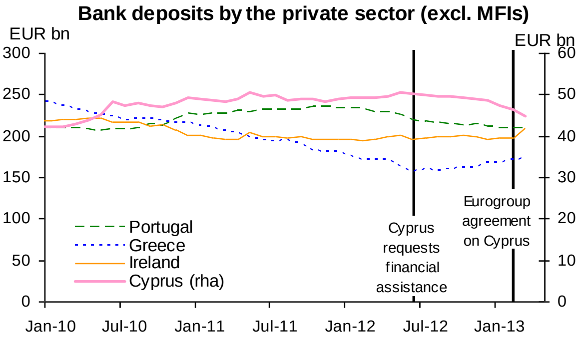
BOX 3 - Bank lending survey in the euro area and monthly data on deposits

In its latest survey of April 2013 on the 1Q 2013, the ECB points to the net tightening of credit standards by euro area banks for loans to enterprises as they declined in the first quarter of 2013 (to 7%, compared with 13% in the fourth quarter of 2012). The decline for both non-financial corporations and households reflected somewhat reduced contributions from banks' risk perceptions as well as from cost of funds and balance sheet constraints. Borrowers' risk and macroeconomic uncertainty remain the main concerns of euro area banks in setting their lending policies.

As to monthly data on deposits released on 26 April 2013 by the ECB, it showed bank deposits in CY fell (by 3.9% in March compared to February) but avoided a steep decrease, while those in other euro area members rose, including private deposits in other parts of southern Europe including Spain, Portugal, Greece and Italy.



Source: ECB data compiled by EGOV



Source: ECB data compiled by EGOV

Annexes:

1. Key macro-economic indicators for the countries receiving macro-financial assistance

2. Comparison and evolution of COM and IMF forecasts on some key economic indicators

3. Europe 2020 summary table for countries receiving macro-financial assistance

4. Impact of the "Two Pack" on Member States requesting financial assistance

Annex 1: Key macro-economic indicators for the countries receiving macro-financial assistance

	2008	2009	2010	2011	2012	2013 (f)	2014(f)
GDP	*% change*						
Cyprus	3.6	-1.9	1.3	0.5	-2.4	**-8.7**	**-3.9**
Greece	-0.2	-3.1	-4.9	-7.1	-6.4	**-4.2**	**0.6**
Ireland	-2.1	-5.5	-0.8	1.4	0.9	**1.1**	**2.2**
Portugal	0.0	-2.9	1.9	-1.6	-3.2	**-2.3**	**0.6**
Euro Area	0.4	-4.4	2.0	1.4	-0.6	**-0.4**	**1.2**
Government balance	*% of GDP*						
Cyprus	0.9	-6.1	-5.3	-6.3	-6.3	**-6.5**	**-8.4**
Greece	-9.8	-15.6	-10.7	-9.5	-10.0	**-3.8**	**-2.6**
Ireland	-7.4	-13.9	-30.8	-13.4	-7.6	**-7.5**	**-4.3**
Portugal	-3.6	-10.2	-9.8	-4.4	-6.4	**-5.5**	**-4.0**
Euro Area	-2.1	-6.4	-6.2	-4.2	-3.7	**-2.9**	**-2.8**
Structural balance	*% of GDP*						
Cyprus	-0.8	-6.5	-5.7	-6.6	-6.7	**-5.4**	**-5.1**
Greece	-9.6	-14.8	-8.8	-5.4	-1.0	**2.0**	**2.0**
Ireland	-7.6	-9.8	-9.1	-7.7	-7.4	**-6.9**	**-4.8**
Portugal	-4.5	-8.7	-8.8	-6.6	-4.2	**-3.6**	**-2.0**
Euro Area	-3.0	-4.5	-4.5	-3.6	-2.1	**-1.4**	**-1.5**
Government debt	*% of GDP*						
Cyprus	48.9	58.5	61.3	71.1	85.8	**109.5**	**124.0**
Greece	112.9	129.7	148.3	170.3	156.9	**175.2**	**175.0**
Ireland	44.5	64.8	92.1	106.4	117.6	**123.3**	**119.5**
Portugal	71.7	83.7	94.0	108.3	123.6	**123.0**	**124.3**
Euro Area	70.2	80.0	85.6	88.0	92.7	**95.5**	**96.0**
Inflation	*% Change*						
Cyprus	4.4	0.2	2.6	3.5	3.1	**1.0**	**1.2**
Greece	4.2	1.3	4.7	3.1	1.0	**-0.8**	**-0.4**
Ireland	3.1	-1.7	-1.6	1.2	1.9	**1.3**	**1.3**
Portugal	2.7	-0.9	1.4	3.6	2.8	**0.7**	**1.0**
Euro Area	3.3	0.3	1.6	2.7	2.5	**1.6**	**1.5**
Unemployment	*% of labour force*						
Cyprus	3.7	5.4	6.3	7.9	11.9	**15.5**	**16.9**
Greece	7.7	9.5	12.6	17.7	24.3	**27.0**	**26.0**
Ireland	6.4	12.0	13.9	14.7	14.7	**14.2**	**13.7**
Portugal	8.5	10.6	12.0	12.9	15.9	**18.2**	**18.5**
Euro Area	7.6	9.6	10.1	10.2	11.4	**12.2**	**12.1**
Long term Unemployment[2]	*% of labour force*						
Cyprus	0.5	0.6	1.3	1.6	3.6	**n.a.**	**n.a.**
Greece	3.6	3.9	5.7	8.8	14.4	**n.a.**	**n.a.**
Ireland	1.7	3.5	6.8	8.7	9.1	**n.a.**	**n.a.**
Portugal	4.0	4.7	6.3	6.2	7.7	**n.a.**	**n.a.**
Euro Area	3.0	3.4	4.3	4.6	5.3	**n.a.**	**n.a.**
Youth unemployment[3]	*% of youth labour force*						
Cyprus	9.0	13.8	16.6	22.4	27.8	**n.a.**	**n.a.**
Greece	22.1	25.8	32.9	44.4	55.3	**n.a.**	**n.a.**
Ireland	13.3	24.0	27.6	29.1	30.4	**n.a.**	**n.a.**
Portugal	20.2	24.8	27.7	30.1	37.7	**n.a.**	**n.a.**
Euro Area	16.0	20.3	20.9	20.8	23.0	**n.a.**	**n.a.**

[2] Long term unemployed defined as persons unemployed for 12 months and more
[3] Youth defined as persons under the age of 25.

	2008	2009	2010	2011	2012	2013 (f)	2014(f)
Income Inequality* (Gini Coef.)	*Scale from 0 to 100: 0 = total income equality; 100 = total income inequality*						
Cyprus	29.0	29.5	29.8	29.1	n.a.	**n.a.**	**n.a.**
Greece	33.4	33.1	32.9	33.5	n.a.	**n.a.**	**n.a.**
Ireland	29.9	28.8	33.2	n.a.	n.a.	**n.a.**	**n.a.**
Portugal	35.8	35.4	33.7	34.2	n.a.	**n.a.**	**n.a.**
Euro Area	30.2	30.1	30.2	30.5	n.a.	**n.a.**	**n.a.**
Current account balance	*% of GDP*						
Cyprus	-12.2	-10.7	-9.2	-4.8	-4.8	**-1.9**	**-0.6**
Greece	-18.0	-14.4	-12.8	-11.7	-5.3	**-2.8**	**-1.7**
Ireland	-5.7	-2.3	1.1	1.1	5.0	**3.1**	**4.0**
Portugal	-12.6	-10.8	-10.4	-7.2	-1.9	**0.1**	**0.1**
Euro Area (adjusted)	-1.5	-0.1	0.0	0.1	1.2	**1.9**	**2.0**
Exports	*% change*						
Cyprus	-0.5	-10.7	3.8	4.4	2.3	**-5.0**	**-2.5**
Greece	1.7	-19.4	5.2	0.3	-2.4	**3.1**	**4.6**
Ireland	-1.1	-3.8	6.2	5.1	2.9	**2.7**	**3.7**
Portugal	-0.1	-10.9	10.2	7.2	3.3	**0.9**	**4.4**
Euro Area	1.1	-12.4	11.2	6.3	2.7	**2.2**	**4.9**
Imports	*% change*						
Cyprus	8.5	-18.6	4.8	-0.7	-7.2	**-16.0**	**-6.5**
Greece	0.9	-20.2	-6.2	-7.3	-13.8	**-6.5**	**-1.9**
Ireland	-3.0	-9.7	3.6	-0.3	0.3	**1.8**	**2.7**
Portugal	2.3	-10.0	8.0	-5.9	-6.9	**-3.9**	**3.1**
Euro Area	0.9	-11.1	9.6	4.2	-0.9	**0.5**	**4.7**
Domestic demand	*% change*						
Cyprus	8.0	-7.0	1.9	-1.6	-6.7	**-13.8**	**-5.8**
Greece	-0.2	-5.5	-7.0	-8.7	-9.6	**-5.6**	**-1.1**
Ireland	-4.3	-11.4	-4.4	-3.7	-1.5	**-0.6**	**0.5**
Portugal	0.8	-3.3	1.8	-5.8	-6.8	**-4.2**	**0.0**
Euro Area	0.3	-3.8	1.3	0.5	-2.2	**-1.2**	**1.0**
Investments	*% change*						
Cyprus	6.0	-9.7	-4.9	-13.1	-23.0	**-29.5**	**-12.0**
Greece	-14.3	-13.7	-15.0	-19.6	-19.2	**-4.0**	**8.4**
Ireland	-10.0	-27.7	-22.7	-12.2	0.9	**0.9**	**2.8**
Portugal	-0.3	-8.6	-3.1	-10.7	-14.5	**-7.6**	**2.5**
Euro Area	-1.4	-12.7	-0.4	1.5	-4.1	**-2.6**	**2.3**
Unit labour cost	*% change (Nominal values)*						
Cyprus	1.8	4.1	1.1	3.2	-0.1	**-5.4**	**-4.2**
Greece	5.1	6.2	-0.1	-1.8	-6.2	**-6.3**	**-1.5**
Ireland	6.4	-3.8	-6.4	-3.3	0.2	**-0.6**	**-1.0**
Portugal	3.5	3.1	-1.4	-0.7	-3.8	**1.5**	**-1.1**
Euro Area	3.8	4.3	-0.7	0.9	1.4	**1.4**	**0.8**
Labour Productivity	*% change*						
Cyprus	1.4	-1.5	1.5	0.1	1.7	**-2.2**	**-0.8**
Greece	-1.4	-2.5	-2.4	-1.6	2.1	**-0.7**	**0.0**
Ireland	-1.5	2.6	3.4	3.3	1.5	**1.0**	**1.3**
Portugal	-0.5	-0.3	3.5	0.0	1.1	**1.6**	**1.1**
Euro Area	-0.3	-2.4	2.6	1.2	0.3	**0.3**	**0.9**

*Sources: European Commission Spring 2013 Forecasts (3 May 2013) and (for indicators with a *) Eurostat*

Annex 2: Comparison and evolution of COM and IMF forecasts on some key economic indicators[4]

	S13	**Commission spring forecast 2013**				**IMF Forecast of 16 April 2013**			
	W13	Commission Winter Forecast 2013				N/A			
	A12	Commission Autumn Forecast 2012				IMF Forecast 9 October 2012			
	S12	Commission Spring Forecast 2012				IMF Forecast 17 April 2012			
	A11	Commission Autumn Forecast 2011				IMF Forecast September 2011			
	Year:	**2011**	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
		GDP Growth (%)							
Cyprus	**S13**	**0.5**	**-2.4**	**-8.7**	**-3.9**	**0.5**	**-2.4**	**n/a**	**n/a**
	W13	0.5	-2.3	-3.5	-1.3	n/a	n/a	n/a	n/a
	A12	0.5	-2.3	-1.7	-0.7	0.5	-2.3	-1.0	0.7
	S12	0.5	-0.8	0.3	n/a	0.5	-1.2	0.8	1.8
	A11	0.3	0.0	1.8	n/a	0.0	1.0	2.0	2.8
Greece	**S13**	**-7.1**	**-6.4**	**-4.2**	**0.6**	**-7.1**	**-6.4**	**-4.2**	**0.6**
	W13	-7.1	-6.4	-4.4	0.6	n/a	n/a	n/a	n/a
	A12	-7.1	-6.0	-4.2	0.6	-6.9	-6.0	-4.0	0.0
	S12	-6.9	-4.7	0.0	n/a	-6.9	-4.7	-0.0	2.5
	A11	-5.5	-2.8	0.7	n/a	-5.0	-2.0	1.5	2.3
Ireland	**S13**	**1.4**	**0.9**	**1.1**	**2.2**	**1.4**	**0.9**	**1.1**	**2.2**
	W13	1.4	0.7	1.1	2.2	n/a	n/a	n/a	n/a
	A12	1.4	0.4	1.1	2.2	1.4	0.4	1.4	2.5
	S12	0.7	0.5	1.9	n/a	0.7	0.5	2.0	2.5
	A11	1.1	1.1	2.3	n/a	0.4	1.5	2.2	2.8
Portugal	**S13**	**-1.6**	**-3.2**	**-2.3**	**0.6**	**-1.6**	**-3.2**	**-2.3**	**0.6**
	W13	-1.6	-3.2	-1.9	0.8	n/a	n/a	n/a	n/a
	A12	-1.7	-3.0	1.0	0.8	-1.7	-3.0	-1.0	1.2
	S12	-1.6	-3.3	0.3	n/a	-1.5	-3.3	0.3	2.1
	A11	-1.9	1.1	1.1	n/a	-2.2	-1.8	1.2	2.5
Euro area	**S13**	**1.4**	**-0.6**	**-0.4**	**1.2**	**1.4**	**-0.6**	**-0.3**	**1.1**
	W13	1.4	-0.6	-0.3	1.4	n/a	n/a	n/a	n/a
	A12	1.4	-0.4	0.1	1.4	1.4	-0.4	0.2	1.2
	S12	1.5	-0.3	1.0	n/a	1.4	-0.3	0.9	1.4
	A11	1.5	0.5	1.3	n/a	1.6	1.1	1.5	1.7
		Government balance (% of GDP)							
Cyprus	**S13**	**-6.3**	**-6.3**	**-6.5**	**-8.4**	**-6.3**	**-5.6**	**n/a**	**n/a**
	W13	-6.3	-5.5	-4.5	-3.8	n/a	n/a	n/a	n/a
	A12	-6.3	-5.3	-5.7	-6.0	-6.3	-4.8	-5.6	-6.4
	S12	-6.3	-3.4	-2.5	n/a	-6.5	-3.7	-1.4	0.0
	A11	-6.7	-4.9	-4.7	n/a	-6.6	-4.5	-4.1	-3.5
Greece	**S13**	**-9.5**	**-10.0**	**-3.8**	**-2.6**	**-9.4**	**-6.4**	**-4.6**	**-3.4**
	W13	-9.4	-6.6	-4.6	-3.5	n/a	n/a	n/a	n/a
	A12	-9.4	-6.8	-5.5	-4.6	-9.1	-7.5	-4.7	-3.4
	S12	-9.1	-7.3	-8.4	n/a	-9.2	-7.2	-4.6	-2.1
	A11	-8.9	-7.0	-6.8	n/a	-8.0	-6.9	-5.2	-2.8
Ireland	**S13**	**-13.4**	**-7.6**	**-7.5**	**-4.3**	**-13.4**	**-7.7**	**-7.5**	**-4.5**
	W13	-13.4	-7.7	-7.3	-4.2	n/a	n/a	n/a	n/a
	A12	-13.4	-8.4	-7.5	-5.0	-12.8	-8.3	-7.5	-5.0
	S12	-13.1	-8.3	-7.5	n/a	-9.9	-8.5	-7.4	-4.9
	A11	-10.3	-8.6	-7.8	n/a	-10.3	-8.6	-6.8	-4.4
Portugal	**S13**	**-4.4**	**-6.4**	**-5.5**	**-4.0**	**-4.4**	**-4.9**	**-5.5**	**-4.0**
	W13	-4.4	-5.0	-4.9	-2.9	n/a	n/a	n/a	n/a
	A12	-4.4	-5.0	-4.5	-2.5	-4.2	-5.0	-4.5	-2.5
	S12	-4.2	-4.7	-3.1	n/a	-4.0	-4.5	-4.5	-2.3
	A11	-5.8	-4.5	-3.2	n/a	-5.9	-4.5	-4.5	-2.3
Euro area	**S13**	**-4.2**	**-3.7**	**-2.9**	**-2.8**	**-4.1**	**-3.6**	**-2.9**	**-2.6**
	W13	-4.2	-3.5	-2.8	-2.7	n/a	n/a	n/a	n/a
	A12	-4.1	-3.3	-2.6	-2.5	-4.1	-3.3	-2.6	-2.1
	S12	-4.1	-3.2	-2.9	n/a	-4.1	-2.7	-2.7	-2.2
	A11	-4.1	-3.4	-3.0	n/a	-4.1	-2.5	-2.5	-1.9

[4] Note that the estimates for 2011 and 2012 and forecasts for 2013 and 2014 of the two institutions have different "cut-off"-dates and are made under different sets of assumptions about policies and underlying economic and financial conditions.

	S13 W13 A12 S12 A11	Commission Spring Forecast 2013 Commission Winter Forecast 2013 Commission Autumn Forecast 2012 Commission Spring Forecast 2012 Commission Autumn Forecast 2011				IMF Forecast of 16 April 2013 N/A IMF Forecast 9 October 2012 IMF Forecast 17 April 2012 IMF Forecast September 2011			
	Year:	**2011**	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
		Government debt (% of GDP)							
Cyprus	**S13**	**71.1**	**85.8**	**109.5**	**124.0**	**71.1**	**86.2**	**n/a**	**n/a**
	W13	71.1	86.5	93.1	97.0	n/a	n/a	n/a	n/a
	A12	71.1	89.7	96.7	102.7	71.6	87.3	92.6	97.6
	S12	71.6	76.5	78.1	n/a	71.8	74.3	75.2	72.9
	A11	64.9	68.4	70.1	n/a	64.0	66.4	67.8	67.9
Greece	**S13**	**170.3**	**156.9**	**175.2**	**175.0**	**170.6**	**158.5**	**179.5**	**175.6**
	W13	170.6	161.6	175.6	175.2	n/a	n/a	n/a	n/a
	A12	170.6	176.7	188.4	188.9	165.4	170.7	181.8	180.2
	S12	165.3	168.0	168.0	n/a	163.3	161.2	165.3	158.8
	A11	162.8	198.3	198.5	n/a	165.6	189.1	187.9	178.5
Ireland	**S13**	**106.4**	**117.6**	**123.3**	**119.5**	**106.5**	**117.1**	**122.0**	**120.2**
	W13	106.4	117.2	122.2	120.1	n/a	n/a	n/a	n/a
	A12	106.4	117.6	122.5	119.2	106.5	117.7	119.3	118.4
	S12	108.2	120.2	120.2	n/a	105.9	113.1	117.7	117.5
	A11	108.1	117.5	121.1	n/a	109.3	115.4	118.3	117.7
Portugal	**S13**	**108.3**	**123.6**	**123.0**	**124.3**	**108.0**	**123.0**	**122.3**	**123.7**
	W13	108.0	120.6	123.9	124.7	n/a	n/a	n/a	n/a
	A12	108.1	119.1	123.5	123.5	107.8	119.0	123.7	123.6
	S12	107.8	117.1	117.1	n/a	106.8	112.4	115.3	114.4
	A11	101.6	111.0	112.1	n/a	106.0	111.8	114.9	114.6
Euro area	**S13**	**88.0**	**92.7**	**95.5**	**96.0**	**88.1**	**92.9**	**95.0**	**95.3**
	W13	88.1	93.1	95.1	95.2	n/a	n/a	n/a	n/a
	A12	88.1	92.9	94.5	94.3	88.0	93.6	94.9	94.7
	S12	88.0	91.8	92.6	n/a	88.1	90.0	91.0	90.8
	A11	88.0	90.4	90.9	n/a	88.6	90.0	90.2	89.3
		Unemployment (% of labour force)							
Cyprus	**S13**	**7.9**	**11.9**	**15.5**	**16.9**	**7.9**	**12.1**	**n/a**	**n/a**
	W13	7.9	12.1	13.7	14.2	n/a	n/a	n/a	n/a
	A12	7.9	12.1	13.1	13.9	7.8	11.7	12.5	12.8
	S12	7.8	9.8	9.9	n/a	7.8	9.5	9.6	9.2
	A11	7.2	7.5	7.1	n/a	7.4	7.2	6.5	6.0
Greece	**S13**	**17.7**	**24.3**	**27.0**	**26.0**	**17.5**	**24.2**	**27.0**	**26.0**
	W13	17.7	24.7	27.0	25.7	n/a	n/a	n/a	n/a
	A12	17.7	23.6	24.0	22.2	17.3	23.8	25.4	24.5
	S12	17.7	19.7	19.6	n/a	17.3	19.4	19.4	18.2
	A11	16.6	18.4	18.4	n/a	16.5	18.5	19.0	18.5
Ireland	**S13**	**14.7**	**14.7**	**14.2**	**13.7**	**14.6**	**14.7**	**14.2**	**13.7**
	W13	14.7	14.8	14.6	14.1	n/a	n/a	n/a	n/a
	A12	14.4	14.8	14.7	14.2	14.4	14.8	14.4	13.7
	S12	14.4	14.3	13.6	n/a	14.4	14.5	13.8	13.0
	A11	14.4	14.3	13.6	n/a	14.3	13.9	13.2	12.4
Portugal	**S13**	**12.9**	**15.9**	**18.2**	**18.5**	**12.7**	**15.7**	**18.3**	**18.5**
	W13	12.9	15.7	17.3	16.8	n/a	n/a	n/a	n/a
	A12	12.9	15.5	16.4	15.9	12.7	15.5	16.0	15.3
	S12	12.9	15.5	15.1	n/a	12.7	14.4	14.0	13.2
	A11	12.6	13.6	13.7	n/a	12.2	13.4	13.4	12.4
Euro area	**S13**	**10.2**	**11.4**	**12.2**	**12.1**	**10.2**	**11.4**	**12.3**	**12.3**
	W13	10.2	11.4	12.2	12.1	n/a	n/a	n/a	n/a
	A12	10.1	11.3	11.8	11.7	10.2	11.2	11.5	11.2
	S12	10.2	11.0	11.0	n/a	10.1	10.9	10.8	10.5
	A11	10.0	10.1	10.0	n/a	9.9	9.9	9.7	9.3

Annex 3. Europe 2020 summary table for countries receiving macro-financial assistance

Indicator	Progress	EU27	CY	EL	IE	PT
Employment rate (% of population)	**2020 target**	**75**	**75**	**70**	**69**	**75**
	2012	68.5	70.2	55.3	63.7	66.5
	2011	68.6	73.4	59.9	63.8	69.1
	2010	68.5	75.0	64.0	64.6	70.5
	2009	69.0	75.3	65.8	67.1	71.2
Expenditure on R&D (% of GDP)	**2020 target**	**3**	**0.5**	**n.a.**	**n.a.**	**2.7**
	2012	n.a.	n.a.	n.a.	n.a.	n.a.
	2011	2.03	0.48	n.a.	1.72	1.5
	2010	2.01	0.5	n.a.	1.71	1.59
	2009	2.02	0.49	n.a.	1.76	1.64
CO2 emission reduction (Index=1990)	**2020 target**	**80**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2012	n.a.	n.a.	n.a.	n.a.	n.a.
	2011	n.a.	n.a.	n.a.	n.a.	n.a.
	2010	85	168	113	111	118
	2009	83	172	119	112	124
Share of renewable energy (%)	**2020 target**	**20**	**13**	**18**	**16**	**31**
	2012	n.a.	n.a.	n.a.	n.a.	n.a.
	2011	13.0	5.4	11.6	6.7	24.9
	2010	12.1	4.6	9.2	5.6	22.7
	2009	10.6	4.2	8.1	4.5	23.4
Primary energy consumption (1 000 tonnes of oil equivalent-TOE)	**2020 target**	**1 474 000**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2012	n.a.	n.a.	n.a.	n.a.	n.a.
	2011	n.a.	n.a.	n.a.	n.a.	n.a.
	2010	1 646 839	2634	27733	14835	22633
	2009	1 596 185	2730	29788	14757	23399
Early school leaving (% of population aged 18-24)	**2020 target**	**10**	**10**	**9.7**	**8**	**10**
	2012	12.8	11.4	11.4	9.7	20.8
	2011	13.5	11.3	13.1	10.8	23.2
	2010	14.0	12.7	13.7	11.5	28.7
	2009	14.3	11.7	14.5	11.6	31.2
Tertiary educational attainment (% of population aged 30-34)	**2020 target**	**40**	**46**	**32**	**60**	**40**
	2012	35.8	49.9	30.9	51.1	27.2
	2011	34.6	46.2	28.9	49.7	26.1
	2010	33.5	45.3	28.4	50.1	23.5
	2009	32.2	45.0	26.5	48.9	21.1
Population at risk of poverty or social exclusion (thousand)	**2020 target** (reduce by 20 mil)	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	2012	n.a.	n.a.	n.a.	n.a.	n.a.
	2011	n.a.	n.a.	n.a.	n.a.	n.a.
	2010	116 309	192	3031	1335	2693
	2009	113 773	188	3007	1150	2648

Source: Eurostat, European Commission
n.a. - non-available data
**Mtoe (Million Tones of Oil equivalent)*

Annex 4: Impact of the "Two Pack" on Member States requesting financial assistance

- Where a Member State requests financial assistance, the COM shall assess, in liaison with the ECB and, where possible, with the IMF, the sustainability of that Member State's government debt and its actual or potential financing needs (Art 6).
- The COM shall make public the macroeconomic scenario, including the growth scenario, the relevant parameters underpinning the assessment of the sustainability of the government debt of the Member State concerned, and the estimated impact of the aggregate budgetary measures on economic growth (Art 6).
- Where a Member State requests financial assistance it shall prepare, in agreement with the COM, acting in liaison with the ECB and, where appropriate, with the IMF, a draft macroeconomic adjustment programme (Art 7.1).
- The COM shall orally inform the Chair and Vice-Chairs of the competent committee of the EP of the progress made in the preparation of the draft macroeconomic adjustment programme. This information shall be treated as confidential (Art 7.1).
- The Council, on a proposal from the COM, shall approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance (Art 7.2).
- The COM shall ensure that the MoU signed by the COM on behalf of the ESM or of the EFSF is fully consistent with the macroeconomic adjustment programme approved by the Council.
- The COM, in liaison with the ECB and, where appropriate, with the IMF, shall monitor the progress made by a Member State in the implementation of its macroeconomic adjustment programme (Art 7.4).
- The COM shall inform the Chair and Vice-Chairs of the competent committee of the EP orally of the conclusions drawn from the monitoring of the macroeconomic adjustment programme. That information shall be treated as confidential (Art 7.4).
- A Member State subject to a macroeconomic adjustment programme experiencing insufficient administrative capacity or significant problems in the implementation of the programme shall seek technical assistance from the COM (Art 7.8).
- The macroeconomic adjustment programme, including its objectives and the expected distribution of the adjustment effort, shall be made public. The conclusions of the assessment of the sustainability of the government debt shall be annexed to the macroeconomic adjustment programme (Art 7.8).
- The competent committee of the EP may offer the opportunity to the Member State concerned and to the COM to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme (Art 7.10).
- A Member State shall seek the views of social partners as well as relevant civil society organisations when preparing its draft macroeconomic adjustment programmes, with a view to contributing to building consensus over its content (Art 8).
- A Member State shall, where necessary, take measures in close cooperation with the COM and in liaison with the ECB and, where appropriate, with the IMF, aiming to reinforce the efficiency and effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to increasing its fiscal revenue (Art 9).